

BUDGET 1999

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Canada Child Tax Benefit: Update

February 1999

Canada

"Taken together, our two previous budgets provided \$1.7 billion for the children of low-income families...Building on this effort, we are announcing today that a further \$300 million is being allocated to enhance the Canada Child Tax Benefit for modest- and middle-income families."

Finance Minister Paul Martin
1999 budget speech

The Canada Child Tax Benefit

Through the Canada Child Tax Benefit (CCTB), the federal government assists low- and middle-income families with the expenses of raising children.

This approach is consistent with the role of government in promoting fairness and equity among individuals with different incomes and family circumstances.

The level of CCTB benefits depends on net family income and the number of children. Revenue Canada makes benefit payments to recipients every month. About 3.2 million families receive the CCTB, covering more than 80 per cent of all children in Canada.

The two main components of the CCTB are the base benefit and the National Child Benefit (NCB) supplement. The base benefit is available to families with incomes up to \$67,000. The NCB supplement is an important component of the National Child Benefit system, a federal, provincial and territorial initiative designed to tackle child poverty. The NCB supplement is available to low-income families – i.e., those with incomes up to \$25,921.

What's new in the 1999 budget?

The 1998 budget included a commitment to increase by \$850 million the federal contribution to the National Child Benefit system. The 1999 budget follows up on that commitment by making specific proposals regarding the allocation of this additional funding. This year's budget also adds \$300 million to the benefits provided to modest- and middle-income families under the CCTB base benefit.

Taken together with the \$850 million announced in the 1997 budget, these measures will increase the CCTB by \$2 billion per year. This will bring annual federal support for families under the CCTB to almost \$7 billion by July 2000.

Changes announced in the 1999 budget affect both the supplement and the base benefit:

- The maximum level of the NCB supplement will increase by a total of \$350 per child – by \$180 in July 1999 and by \$170 in July 2000.
- The net income level at which the NCB supplement is fully phased out will rise from \$25,921 to \$29,590 by July 2000.

■ The net income threshold at which the base benefit begins to phase out will rise from \$25,921 to \$29,590 in July 2000. The threshold at which the benefit is fully phased out will also rise from \$67,000 to \$70,390.

How do families benefit from these enrichments?

Enrichments to the NCB supplement will result in increased benefits for 1.4 million low-income families. Thanks to these enrichments, a low-income family with two children will receive up to 48 per cent more in 2000 than in 1996.

Example 1

Jacqueline is a single mother of two children. Her net income is \$20,000.

In 1996, she received total CCTB benefits of \$2,540 – i.e., a base benefit of \$2,040 plus \$500 under the supplement.

By 1998, Jacqueline's supplement portion had increased to \$1,010. This brought her total CCTB benefits to \$3,050 – an increase of \$610 over the 1996 amount.

The 1999 budget further increases her supplement by \$700 – i.e., \$350 per child. By the year 2000, Jacqueline will be entitled to total CCTB benefits of \$3,750 – i.e., a base benefit of \$2,040 plus a supplement of \$1,710.

Increases in maximum CCTB benefits for low-income two-child families

	1996	1998	2000
	(dollars)		
Base benefit	2,040	2,040	2,040
NCB supplement ¹	500	1,010	1,710
Total	\$2,540	\$3,050	\$3,750

¹ The NCB supplement was called the Working Income Supplement (WIS) before being folded into the NCB supplement in July 1998.

Two million modest- and middle-income families will also receive higher base benefits. In addition, a portion of the base benefit will be extended to about 100,000 families that currently do not receive it.

Example 2

Louis and Catherine have two children. Their net family income is \$35,000.

By the year 2000, Louis and Catherine will receive \$1,770 in CCTB benefits – \$184 more than in 1998.

Example 3

Eric and Christine have two children. Their net family income is \$50,000.

By the year 2000, this family will receive total CCTB benefits of \$1,020. This is an increase of \$184 over their 1998 benefits.

Summary table: maximum CCTB benefits

As of July 2000

	(dollars)
Base benefit amounts	
Base benefit per child	1,020
Additional benefit for third and each subsequent child	75
Additional benefit for child under age 7	213
Net income at which benefits begin to phase out	29,590
Net income at which benefits are fully phased out	70,390
NCB supplement amounts	
Supplement for the first child	955
Supplement for the second child	755
Supplement for third and each subsequent child	680
Net income at which benefits begin to phase out	20,921
Net income at which benefits are fully phased out	29,590

How is the CCTB distributed?

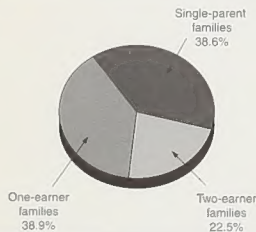
■ By the year 2000, the CCTB will provide \$4.6 billion to families with incomes of less than \$30,000. On average, each family will receive \$1,860 per child.

■ Families with incomes over \$30,000 will receive a total of \$2.3 billion in CCTB benefits. This averages out to \$670 per child.

Over three-quarters of all CCTB benefits will go to one-earner families and single-parent families.

CCTB recipients

Percentage of total benefits by family type



"The National Child Benefit is a great achievement for Canada's children – an example of governments working together to improve benefits and services for low-income families."

Pierre S. Pettigrew
Minister of Human Resources
Development Canada

The National Child Benefit System

Working together to support families and fight child poverty

In 1996, the Prime Minister and Premiers made tackling child poverty a shared priority. The federal, provincial and territorial governments developed the National Child Benefit to support low-income families and reduce child poverty.

Traditionally, families that moved from welfare to work had to give up a range of income supports and services for their children because such supports were tied to the welfare system. For many low-income families, the prospect of losing benefits for their children has been a substantial barrier to employment and has limited their opportunity to earn income.

The July 1998 implementation of the National Child Benefit system was the first step towards tackling these issues. Both levels of government have implemented major co-ordinated initiatives to make the NCB a reality:

■ The federal government brought in enriched benefits under the CCTB. These federal CCTB benefits are available to all low-income families with children.

■ Increased federal benefits have allowed many provincial and territorial governments to reduce child allowances under their social assistance programs while ensuring that the overall level of income support for families on social assistance remains the same. Savings are redirected to other services and benefits for low-income families with children. Examples of such programs include child care subsidies, provincial income support programs for children, and health and additional benefits for low-income working families.

The combination of new federal, provincial and territorial supports is bringing down barriers to employment and improving the lives of many families.

Starting in July 1999, the second phase of the NCB will be implemented along the lines described above. This additional \$850 million in funding for the CCTB will enable provinces and territories to further enrich their programs and services.

Toll-free information line

Revenue Canada administers the CCTB. Further information about the CCTB may be obtained by calling the following numbers:

1-800-387-1193 (English)
1-800-387-1194 (French)

How can I get more information on the 1999 budget?

Information is available on the Internet at: <http://www.fin.gc.ca/>

You can also obtain copies of this brochure or other budget documents from:

Distribution Centre
Department of Finance
300 Laurier Ave. West
Ottawa, Ontario, K1A 0G5
Tel.: (613) 995-2855
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